

Tip Line

What is the Gray Market?

Fake Pharmacies

On March 21, 2012, Rep. [Eliza Fuchs](#) requested Rankins Member of the House Committee on Oversight

Documents obtained during the course of this ongoing investigation indicate that rather than dispensing

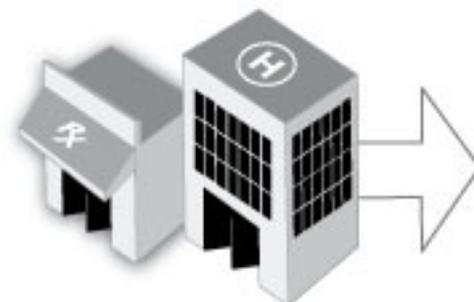
“It appears that some of these individuals essentially established ‘fake pharmacies’ to obtain drugs that a

For the full photo gallery [click here](#)

**What Should Be Happening?**

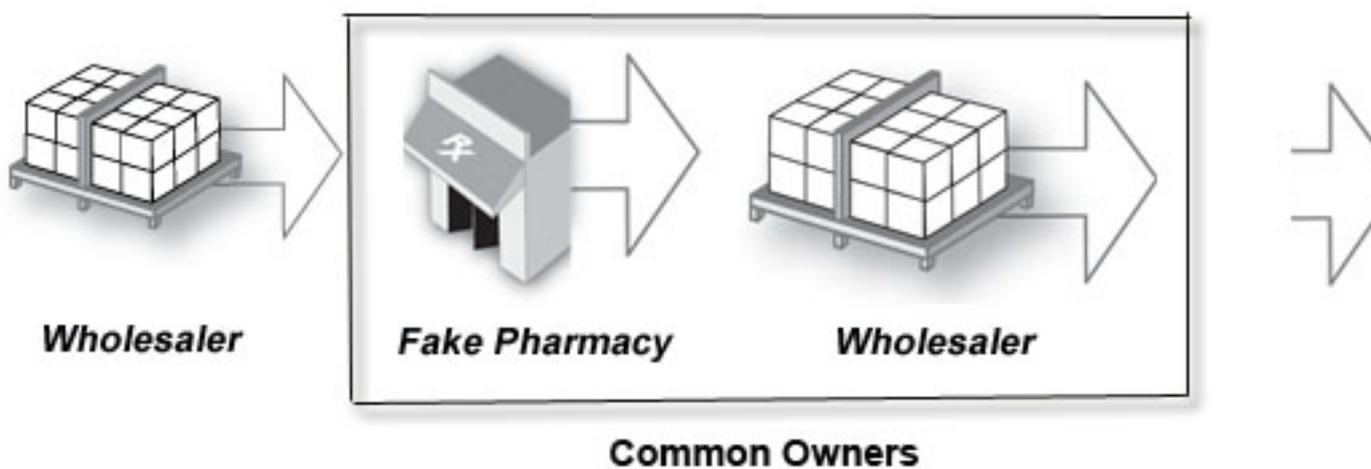


**Wholesaler**



**Pharmacy or Hospital**

**What Happens With Fake Pharmacies?**



Letters were sent to the following companies:

[LTC Pharmacy and International Pharmaceuticals](#)

- LTC Pharmacy (a licensed pharmacy) purchased drugs in short supply and transferred them to International Pharmaceuticals (a licensed wholesaler), which then sent them back into the gray market
  
- Both companies have the same owner and were located in the same building
  
- State regulators in North Carolina found that:
  - “International Pharmaceuticals and LTC Pharmacy willfully violated NC wholesaler prescription drug distribution laws”
  - LTC Pharmacy “is not an operating pharmacy”
  - “No dispensing has taken place since opening”
  
- Licenses for both companies have been surrendered or denied
  
- It appears that International Pharmaceutical has active wholesaler licenses in at least 23 other states

[Priority Healthcare and Tri-Med America](#)

- In this case, a husband and wife team established a pharmacy, Priority Healthcare, in Maryland and a wholesale company, Tri-Med America, in New Jersey.
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The couple purchased the cancer drug fluorouracil, transferred it to their own wholesaler, and then sold it to another gray market drug company at remarkable price increases, sometimes on the same day as the original purchase.

- Documents show that in one of these transactions, Tri-Med America sold the drug at a 919% increase over the price originally paid for it by Priority Healthcare
  
- State regulators in Maryland found numerous violations of Maryland state law including the provision that “a person may not obtain a license by making any false representation”
  
- State regulators also found that:
  - that they “never dispensed any medications” to patients, and;
  - neighbors reported that “no one is ever there.”
  - When investigators finally located the husband, he claimed that “he didn’t have childcare” that day, and that his pharmacist “was on vacation that week.”

### [Columbia Med Services and Columbia Medical Distributors](#)

- Columbia Med Services (a licensed pharmacy) purchased drugs in short supply and transferred them to Columbia Medical Distributors (a licensed wholesaler), which then sent them back into the gray market
  
- Both companies have the same owner and were located in the same industrial office complex
  
- Columbia Med Services did not have a wholesaler license when it transferred the drugs to Columbia Medical Distributors, which is required under Maryland law.

Today’s letters ask the pharmacies to provide the requested information by April 11, 2012. Separately, additional letters are being sent to 19 other licensed pharmacies requesting information about their role in selling drugs in critically short supply to wholesalers operating in the gray market instead of dispensing drugs to patients.

These letters are part of a broader [investigation](#) into the extent to which “gray market” middleman drug companies may be making substantial profits by engaging in “drug speculation” Cummings [launched](#) the investigation on October 5, 2011, and Rockefeller and Harkin [joined](#) in December.